11 & 12 March 2020

What does a pan-african settlement platform mean for Africa?

Real time solutions for multi-currency global liquidity management, FX and international payments based on tokenized money over smart contract-enabled, decentralized ledgers
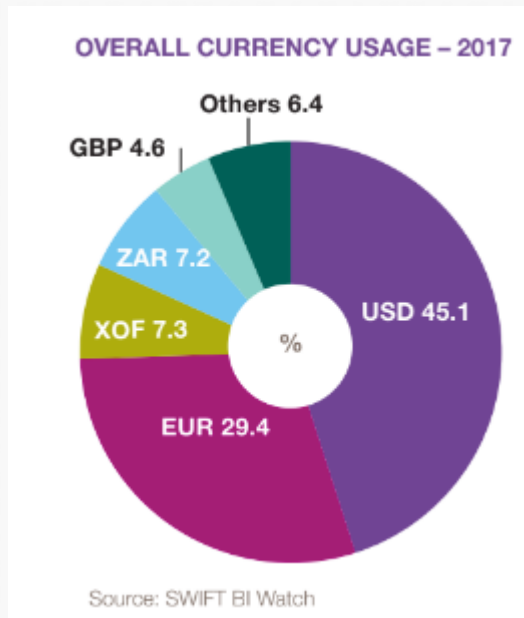
What is the problem?

Today, the predominant payment model has an inherent deficit: it is account based. So for every business need, in each location, there are one or more accounts with cash and securities positions in multiple places. This not only splinters liquidity, but also requires additional support infrastructure.

Fnality International

What is the problem?

OVERALL CURRENCY USAGE – 2017

Others 6.4
GBP 4.6
ZAR 7.2
XOF 7.3
USD 45.1
EUR 29.4
%

Source: SWIFT BI Watch

What is the potential?

"The Pan-African Payment and Settlement System (PAPSS) is a platform that will **domesticate** intra-regional payments, save the continent **more than US$5bn** in payment transaction costs per annum, formalise a significant proportion of the estimated US$50bn of informal intra-African trade, and above all, contribute in boosting intra-African trade," said Afreximbank's president Benedict Oramah

What is the vision?
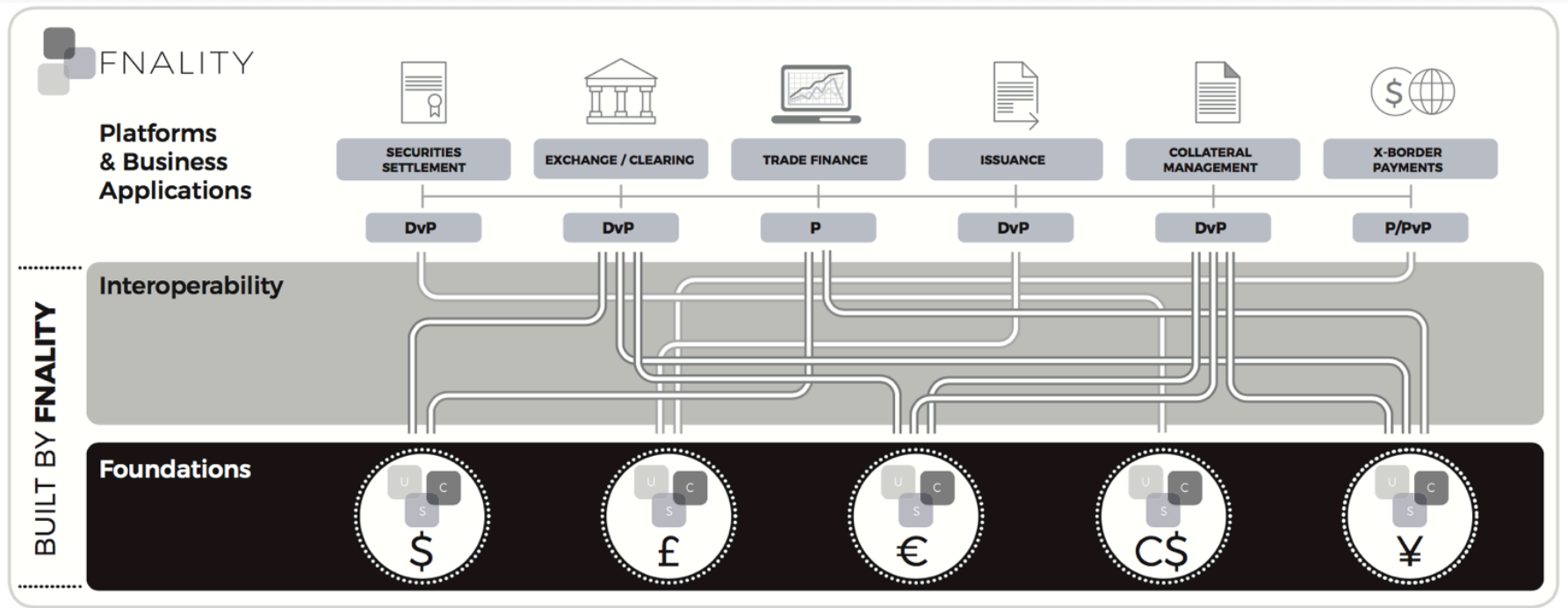
What are the requirements for settlement

- An FMI should provide clear and certain final settlement, at a minimum by the end of the value date. Where necessary or preferable, an FMI should provide final settlement intraday or in real time.
- An FMI should conduct its money settlements in central bank money where practical and available.
- An FMI should clearly state its obligations with respect to the delivery of physical instruments or commodities and should identify, monitor, and manage the risks associated with such physical deliveries.

Source: BIS, IOSCO Principles for Financial Market Infrastructure

What is the solution?

- Central bank backed distributed/interoperable settlement systems
- Additional currencies
  - Governance model is well understood - single jurisdiction
  - Interoperable with other currencies
  - Single pool of liquidity for all settlement obligations
  - Near real time settlement
  - DvP / PvP baked into the design reducing counterparty risk

What does Adhara do?

- Project Ubin - Monetary Authority of Singapore. Interbank settlement on Quorum (Enterprise Ethereum). Focus on Liquidity Savings Mechanisms
- Project Khokha - South African Reserve Bank. Interbank settlement on Quorum. Focus of confidentiality and performance
- Fnality (5 Regulators, 15 GSIBs). Multicurrency interbank settlement on Hyperledger Besu (Enterprise Ethereum). Focus on production (legal, regulatory, technical)
- Using the above experience to bring a settlement solution to Africa. Legal, Regulatory, technical as well applications (liquidity management, cross border payments and securities settlement)

Who benefits?

- Banks - reduced capital deployment
- Banks - reduced counterparty risk
- Businesses - increased velocity of capital
- Businesses - reduced FX/Transaction costs
- Regulators - matching of cross border flows to settlement
- Individuals - potentially better experience on remittances